



NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY
MEDIUM TERM REVENUE AND EXPENDITURE
FRAMEWORK FOR
2016/17 TO 2018/19

ABBREVIATIONS AND ACRONYMS

CPI	Consumer Price Index
DBSA	Development Bank of South Africa
DoRA	Division of Revenue Act
EM	Executive Mayor
FBS	Free basic services
GAMAP	Generally Accepted Municipal Accounting Practice
GRAP	General Recognised Accounting Practice
IDP	Integrated Development Plan
kℓ	kilolitre
km	kilometre
KPA	Key Performance Area
KPI	Key Performance Indicator
kWh	kilowatt
ℓ	Litre
LED	Local Economic Development
MEC	Member of the Executive Committee
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MMC	Member of Mayoral Committee
MSA	Municipal Systems Act
MTREF	Medium-term Revenue and Expenditure Framework
PMS	Performance Management System
RSC	Regional Services Council
SALGA	South African Local Government Association
SDBIP	Service Delivery Budget Implementation Plan

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C01/05/2016: MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK FOR 2016/17 TO 2018/19

1. PURPOSE

The purpose of this item is for council to adopt:

- 1.1. Operating revenue framework to the amount of R 557,876 million.
- 1.2. Operating expenditure to the amount of R 705,105 million.
- 1.3. Capital expenditure to the amount of R 291, 133 million.
- 1.4. Total revenue budget of R 854,454 million.
- 1.5. New and existing capital projects on Table 15 to Table 19 of the budget document.
- 1.6. Grants and subsidies capital to the amount of R 296,578 million.
- 1.7. The 2016/17-2018/19 Medium Term Revenue and Expenditure budget and accompanying annual budget schedules tables.
- 1.8. The budget-related policies accompanying the MTREF budget for 2016/17 -2018/19.
- 1.9. Adopts the cost-cutting and reduction measures as outlined in MFMA Circular 82.

2. LEGISLATIVE BACKGROUND

In terms of Municipal Finance Management Act, No. 56 of 2003, Chapter 4, Section 24, approval of annual budget states that:

- 1) The municipality council must at 30 days before that start of the budget year consider approval of the annual budget.
- 2) An annual budget –
 - a) Must be approved before the start of the budget year,
 - b) Is approved by adoption of resolution approving the budget of the municipality,
 - c) Must be approval together with the resolution as may be necessary, and
 - d) The accounting officer of the municipality must submit the approval of annual budget to the National and Provincial Treasury.

3. EXECUTIVE SUMMARY

The development of the budget which is an exercise of allocating resources is a difficult exercise under normal circumstances, due to competing demands for limited resources. This exercise is even more difficult with regard to Ngaka Modiri Molema District Municipality, due to the dire financial situation it finds itself in. By the end of the current financial year (2015/16), the municipality will be having estimated financial obligations of R 370,132 million, which

translates to an increase of 32.9 % or R 111,132 million as compared to R 259 million 2014/15 financial year.

These financial obligations consist of R10, 119 million of outstanding creditors for 2014/15 financial year plus R 144, 505 million of outstanding debt of Sedibeng Water, followed by additional unspent conditional grants of R123 million for 2014/15 financial year, which was offset by National Treasury and later released to the municipality as a form of loan. For 2015/16 financial year, unpaid creditors equates to R92, 352 million, which brings to total outstanding financial obligation of R 370, 132 million for 2015/16 financial year.

We ensured that the budget process is a collective effort, where various departments were consulted and informed, and the budget allocations are based on principles that reflect the financial situation of the municipality. This is part of the budget reform measures that the municipality is initiating, to ensure that the process is in line with best practices.

For example we have ensured that the budget reflects the following:

- That capital budget figures talk to the infrastructure plans figures;
- That priority is given to core business areas of the municipality;
- That the budget provides for cost cutting/reduction measures;
- There will be no budget allocated to projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been Gazetted as required by the annual Division of Revenue Act; and
- A critical review was also undertaken of expenditures on non-core and 'nice to have' items.

National Treasury's MFMA Circular No. 78 and 79 and other previous MFMA circulars were used to guide the compilation of the 2016/17 MTREF. The main challenges experienced during the compilation of the 2016/17 MTREF can be summarized as follows:

- Huge amount of outstanding amount of creditors for previous financial years;
- Non-compliance with conditional grants;
- Increasing demand of water due draught ;
- The ongoing difficulties in global and local macro economy;
- Aging and poorly maintained water, roads and sanitation infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality

- The increased cost of bulk water due to tariff increases from Sedibeng Water, which is placing upward pressure on water supply service to rural residents of Ngaka Modiri Molema District Municipality;
- Salaries and wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies of Municipal Manager ; Chief Financial Officer, Senior Managers: Corporate Resource Services , Growth Economic Development, Infrastructure and Maintenance Development , Project Management and Business Process Support;
- The declining of credit ratings and creditworthiness of municipality with financial institutions.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2016/17 Medium-term Revenue and Expenditure Framework:

Table 1: Consolidated Operating budget overview of the 2015/16 MTREF

R thousands	Adjusted Budget 2015/16	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Total Operating Revenue	519,137	557,876	608,342	661,030
Total Operating Expenditure	503,256	705,105	742,954	787,039
Surplus/(Deficit) for the year	(312,493)	(149,349)	(185,403)	(208,734)
Total Capital Expenditure	277,495	291,133	313,732	327,623

Total operating revenue has increased by 7.46% or R 38,739 million for the 2016/17 financial year when compared to the 2015/16 adjustments Budget. For the two outer years, operational revenue will increase by 9.04 % and 8.66 % respectively, equating to a total revenue growth of R 141, 893 million over the MTREF when compared to the 2015/16 financial year.

Total operating expenditure for the 2016/17 financial year has been appropriated at R 705,105 million and translates into a budgeted deficit of R149,349 million when compared to the 2015/16 adjustments Budget. Operational expenditure has increased by 40% in the 2016/17 budget and increases by 5.36 % and 5.93% for each of the respective outer years of the MTREF. The operating deficit for the two outer years steadily increases to R185, 403 million and then stabilizes at R 208,734 million.

The capital budget of R291, 133 million for 2016/17 is 4.91% increased when compared to the 2015/16 Adjustment Budget. Note that the district has reached its prudential borrowing limits and so there is very little scope to substantially increase these borrowing levels over the medium-term. The repayment of interest of Development Bank of South Africa (DBSA) is budgeted for R 2,850 million which will be the last instalment.

4. OPERATING REVENUE FRAMEWORK

For the district to continue improving the quality of services provided to its citizens it needs to generate the required revenue. As it stands, the municipality relies entirely on grants which contribute 99% of total operating revenue allocated to the municipality. In these tough economic times strong revenue and expenditure management is critical for the sustainability of the municipality. The reality of the matter is that Ngaka Modiri Molema District is faced with service delivery backlogs, unemployment and poverty. The expenditure required to address these challenges will inevitably always exceed available funding, hence difficult choices have to be made in relation to cost cutting measures and balancing expenditures against realistically anticipated revenues.

The municipality's own revenue is built around the following key components:

- Sales of tokens, yard connections, interest on primary bank account, sewer sanction, and
- Rental of facilities and equipment.

The following table is a summary of the 2016/17 MTREF (classified by main revenue source)

Table 2: Summary of Revenue classified by main revenue sources

R thousands	2012/13	2013/14	2014/15	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<u>Financial Performance</u>							
Property rates	–	–	–	–	–	–	–
Service charges	–	–	–	–	–	–	–
Investment revenue	8,575	1,104	1,936	260	–	–	–
Transfers recognized - operational	360,483	439,126	447,684	514,571	554,376	604,625	657,094
Other own revenue	3,161	7,324	6,620	4,306	3,500	3,717	3,936
Total Revenue (excluding capital transfers and contributions)	372,219	447,553	456,240	519,137	557,876	608,342	661,030

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating revenue statement, as inclusion of

these revenue sources would distort the calculation of the operating surplus/deficit. The total amount for operating grants and transfers including own revenue is R 557,876 million in the 2016/17 financial year and increases to R608, 342 million and R 661,030 million. Note that the year-on-year increase for the 2016/17 financial year is 7.46% and then flattens out to 9.04 % and 8.66% in the two outer years respectively.

The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term.

Table 3: Summary of Operating Transfers and Grants for 2016/17 MTREF

R thousand	2012/13	2013/14	2014/15	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Operating Transfers and Grants National Government:	360,483	438,827	447,539	514,504	554,376	604,625	657,094
Local Government Equitable Share	355,942	426,496	444,828	510,260	551,315	602,830	655,044
Finance Management Grant	1,250	1,250	1,250	1,325	1,460	1,795	2,050
Municipal Systems Improvement	1,395	890	786	930	–	–	–
Water Services Operating Subsidy	876	9,191	–	–	–	–	–
EPWP Incentive	1,021	1,000	676	1,989	1,601	–	–
Provincial Government:	–	299	145	67	–	–	–
SETA, Popo Molefe Hall	–	–	–	67	–	–	–
DLPOTA Fire Grant- Provincial Simulation	–	299	145	–	–	–	–
Total Operating Transfers and Grants	360,483	439,126	447,684	514,571	554,376	604,625	657,094

A note should be taken that, the Municipal System Improvement grant for R1 million has been reconfigured as an indirect grant from 2016/17 financial year to help poorly performing municipalities with revenue collection, performance management and record keeping. Regional management support will also be provided to groups of municipalities facing common institutional weaknesses, therefore this grant is treated as an in-kind allocation and it does not form part of the 2016/17 MTERF budget. However, the money will only be appropriated after the expenditure has been incurred.

4.1 Tariffs -Setting

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges are revised, local economic conditions, input costs and the affordability of services is taken into account to ensure the financial sustainability of the district. National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. It must also be appreciated that the consumer price index, as

measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, other materials and contracted services etc.

The current challenge facing the municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. As results, for the purpose of 2016/17 MTREF tariffs setting the municipality has taken into consideration the macroeconomic performance and projections from 2014/15 to 2018/19 financial years.

The table below demonstrate the macroeconomic performance and projections of South African economy and inflation targets.

Table 4: Macroeconomic performance and projections from 2014/15 -2018/19

Fiscal Year	2014/15 Actual	2015/16 Estimate	2016/17	2017/18 Forecast	2018/19
CPI Inflation	5.6%	5.4%	6.6%	6.2%	5.9%
Real GDP growth	1.6%	0.9%	1.2%	1.9%	2.5%

Source: 2016 Budget Review

The above table shows that , the global conditions have exposed South African's own economic weaknesses with projected real GDP (growth domestic product) revised down to 0.9% for 2016 improving gradually to 1.7% in 2017 and 2.4% in 2016. The Consumer Price Index increasing from 5.4% in 2015/16 to 6.6% in 2016/17 and for two outer years sloping at 6.2% and 5.9% respectively. Considering the above outlook, the current municipal tariffs were adjusted accordingly in line with consumer price index of 6.6 %.

Table 5: Proposed Water and Sanitation, Tender Documents and Service Trucks for 2016/17 MTREF

Water and Sanitation Tariffs	Current Tariffs (01 July 2015)	Proposed Tariffs (2016/2017)
Water tariff (flat rate)	R 17/kl	R 18/kl
Water tanker - 10kl	R 14/km	R 15/km
Water tanker - 14kl	R 16/km	R 17/km
Water tanker - 18kl	R 18/km	R 19/km
Water tanker - 20kl	R 22/km	R 23/km
Vacuum tanker (suction of sanitation facilities at a rate of R 14/km for a distance more than 10km)	R 371	R 395
Yard connection fee	R 3768	R 4017
Service Trucks Tariffs	Current Tariffs (01 July 2015)	Proposed Tariffs (2016/17)
Maintenance motor grader (13 ton)	R 450/hr	R 480/hr
Construction motor grader (15 ton)	R 550/hr	R 586/hr
Tractor loader backhoe	R 310/hr	R 330/hr
6m3 tipper truck	R 360/hr	R 384/hr
6m3 tipper truck	R 15/km	R 16/km
2.7 m3 front end loader	R 450/hr	R 480/hr
Tractor	R 450/hr	R 480/hr
Pedestrian roller	R 180/hr	R 192/hr
6kl water bowser	R 360/hr	R 384/hr
6kl water bowser	R 15/km	R 16/km
1 ton low bed & hoarse	R 30.50/km	R 33/km
4 ton low bed & hoarse	R 40.50/km	R 43/km
30-40 ton low bed & hoarse	R 65.50/km	R 70/km
Tender Documents	Current Tariffs (01 July 2015)	Proposed Tariffs (2016/17)
R 200 000 - R 500 000	R 212	R 226
R 500 001 - R 1 000 000	R 342	R 365
R 1 000 001 - R 2 000 000	R 530	R 565
R 2 000 001 - R 10 000 000	R 1590	R 1695
R 10 000 001 and above	R 2650	R 2825

5. OPERATING EXPENDITURE FRAMEWORK

The district's business affairs and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core and 'nice to have' items. The cost containment measures were implemented to eliminate non-priority spending to reprioritize spending. Key

areas where savings were realized were on general expenses related to catering and events, subsistence and travelling & conference fees, advertising and hiring of private venues; furniture and office equipment; refreshments and entertainment and consultant fees.

The municipality's expenditure framework for the 2016/17 budget and MTREF is informed by the following:

- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2016/17 budget and MTREF (classified per main type of operating expenditure).

Table 6: Summary of operating expenditure by standard classification item

Descriptions	2012/13	2013/14	2014/15	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Employee costs	189,059	245,844	281,910	276,643	302,228	318,138	338,049
Remuneration of councillors	9,380	15,609	8,049	12,753	13,054	13,902	14,615
Depreciation & asset impairment	168,035	236,971	229,415	65,406	229,415	243,638	258,013
Finance charges	1,573	7,103	7,166	7,902	3,150	3,345	3,543
Materials and bulk purchases	44,052	34,475	43,006	43,021	29,500	29,352	30,869
Transfers and grants	104,520	134,770	258,257	9,244	15,561	15,070	16,108
Other expenditure	139,521	135,895	145,967	88,286	112,197	119,509	125,842
Total Expenditure	656,141	810,667	973,769	503,256	705,105	742,954	787,039

5.1 Salaries and Wages

The budgeted allocation for employee related costs for the 2016/17 financial year amounts to R302, 228 million which translate to 42.86 % of the total operating expenditure budget. The South African Local Government Bargaining Council recently entered into a three-year Salary and Wage Collective Agreement for the period 01 July 2015 to 30 June 2018. The agreement reached as follows:

- 2015/16 Financial Year – 7 per cent

- 2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent
- 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent

An annual increase of 5.26% and 6.25 % has been included in the two outer years of the MTREF. As part of the municipalities cost reprioritization and cash management strategy a moratorium has been placed on all new normal appointments. As part of the planning assumptions and interventions all new vacancies were not budgeted for except vacant positions for municipal manager and five managers reporting directly to municipal manager .

5.2 Remuneration of Councillors

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act No. 1998 (Act 20 of 1998). The last proclamation in this regard was published on 21 December 2015 as results, the remuneration of councillors original budget has been budgeted on the actual cost increased from R 12,753 million to R 13,054 million.

5.3 Depreciation and Assets Impairment

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. The budget appropriation in this regard is a total of R 229,415 million for the 2016/17 financial year. For the two outers year's depreciation is budgeted at R 243,638 million and R 258,013 million respectively. Currently, the Provincial Treasury has appointed JBFE: asset accounting specialists to provide services pertaining GRAP 17.

5.4 Finance Charges

Finance charges consist primarily of the repayment of interest on the outstanding long-term borrowing (DBSA loan), bank charges and interest charged for late payments of creditors. For 2016/17 financial year, finance charges have been budgeted for R 3, 5 million and increases to R3, 3 million and R3, 5 million respectively for two outer years.

5.5 Materials and bulk purchases

Other material comprises of amongst others the purchase of materials for maintenance, water material. In line with the district's repairs and maintenance plan this group of expenditure has been prioritized to ensure sustainability of the district's infrastructure. For 2016/17 the appropriation against this group of expenditure has decreased by 31.42 % or R13, 521 million

from the 2015/16 adjustment budget. This amount decreases by 0.5 % and increases to 5.17 % in the two outer financial years.

5.6 Contracted Services

As part of the compilation of the 2016/17 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2016/17 financial year, this group of expenditure totals R 14,810 million and has increased by 44, 04 %. For the two outer years this amount increases to R 15,728 million and R 16,656 million. As part of the process of identifying further cost efficiencies, a business reengineering process will continue in the 2016/17 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out.

5.7 Other expenditure

Other expenditure comprises of various line items relating to the daily operations of the municipality. The description of this allocation includes among others goods and services, general expenses such as, Imbizo's, HIV/Aids programmes, Public Participation, Training, conferences & seminars, drought relief, tankering, fuel & oil vehicle, legal expenses, special projects, insurance, telephone ,quick wins water services, accommodation, bank charges, printing and stationery, detergents and postage .

The item description of "other expenditure" is as per National Treasury template, whereas it should have been described as "goods and services" for example. The implementation of Standard Chart of Accounts (SCOA) in 2017 will address this issue. In 2016/17 other expenditure is budgeted for R97, 387 million which translate to an increased of 24.85% from 2015/16 adjustment budget.

The following table gives a breakdown of the main expenditure categories for the 2015/16 financial year.

Figure 1: Main expenditure category for 2016/17 MTREF

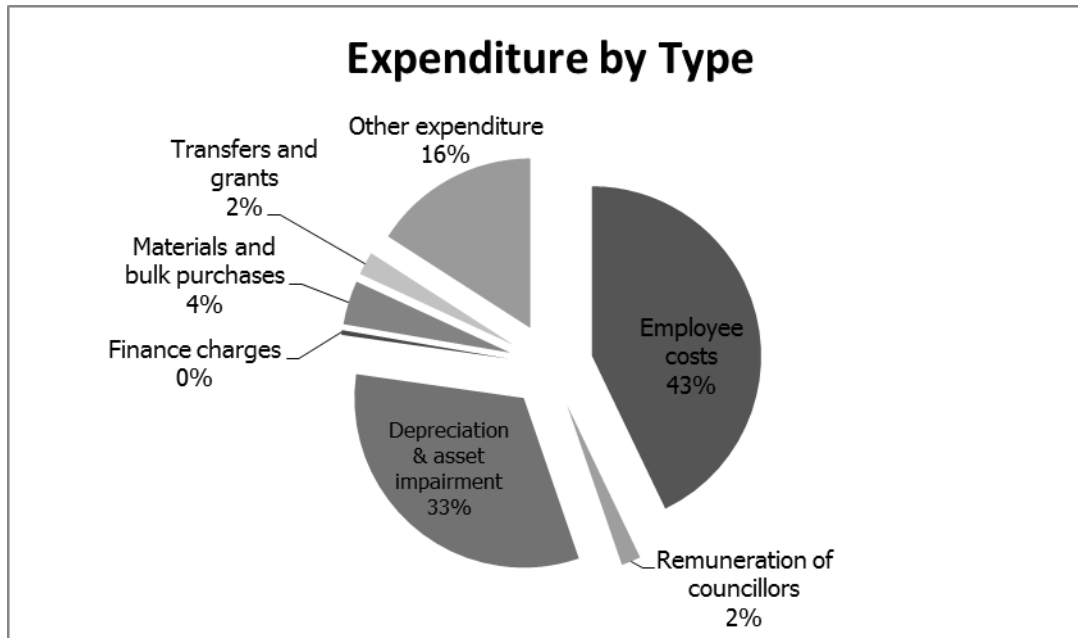


Table 7: Operational expenditure budget allocation per vote over MTREF

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<u>Expenditure by Vote to be appropriated</u>							
Vote 1 - Executive and Council	13,337	21,973	11,102	28,864	33,400	35,548	37,592
Vote 2 - Municipal Manager	54,108	63,040	31,378	36,527	45,344	47,106	49,022
Vote 3 - Budget and Treasury Office	381,764	506,658	552,410	99,305	260,351	275,937	292,486
Vote 4 - Corporate Services Support	75,565	31,666	20,200	49,568	60,655	63,777	67,812
Vote 5 - Growth and Economic Development	12,574	9,023	3,156	23,892	25,608	24,631	25,355
Vote 6 - District Public Health and Safety	363	8,136	5,607	103,432	119,965	128,354	136,901
Vote 7 - District Infrastructure Maintenance and Devel.	118,428	170,172	349,915	161,668	159,783	167,602	177,872
Total Expenditure by Vote	656,141	810,667	973,769	503,256	705,105	742,954	787,039

Vote 1 – Executive and Council

The total amount allocated for Vote 1 for the 2016/17 year is R 33,400 million, increasing to R35, 548 million in 2017/18 and R 37,592 million in the outer years.

Vote 2 – Municipal Manager

The total amount allocated for Vote 2 for the 2016/17 year is R 45,344 million, increasing to R47, 106 million in 2017/18 and R 49,022 million in the outer years.

Vote 3 – Budget and Treasury Office

The total amount allocated for Vote 3 for the 2016/17 year is R 260,351 million, increasing to R275, 937 million in 2017/18 and R 292,486 million in the outer years.

Vote 4 – Corporate Services Support

The total amount allocated for Vote 4 for the 2016/17 year is R60, 655 million, increasing to R63, 777 million in 2017/18 and R67, 812 million in the outer years.

Vote 5 – Growth and Economic Development

The total amount allocated for Vote 5 for the 2016/17 year is R25, 608 million, decreasing to R24, 631 million in 2017/18 and increasing to R25, 355 million in the outer years.

Vote 6 – District Public Health and Safety

The total amount allocated for Vote 6 for the 2016/17 year is R119, 965 million, increasing to R128, 354 million in 2017/18 and R136, 901 million in the outer years.

Vote 7 – District Infrastructure Maintenance and Development

The total amount allocated for Vote 7 for the 2016/17 year is R 159,783 million, increasing to R167, 602 million in 2017/18 and R177, 872 million in the outer years.

6. CAPITAL EXPENDITURE FRAMEWORK

For 2016/17 an amount of R 289,833 million has been appropriated for the development of infrastructure which represents 99.55 % of the total capital budget. In the outer years this amount totals R 312,670 million or 99.66% and R 326,498 million, 99.65 % respectively for each of the financial years.

Total new projects represent 100% or R 291,133 million of the total capital budgets. In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

The following table provides a breakdown of budgeted capital expenditure by vote.

Table 8: Capital expenditure per Municipal Vote for 2016/17 MTREF

Vote Description	2012/13	2013/14	2014/15	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital expenditure - Municipal Vote							
Single-year expenditure appropriation							
Vote 2 - Municipal Manager	160	319	–	423	–	–	–
Business Process Support	160	319	–	423	–	–	–
Vote 4 - Corporate Services Support	8,785	709	9,756	175	1,000	1,062	1,125
Corporate Services Support	8,785	709	9,756	175	1,000	1,062	1,125
Vote 6 - District Public Health and Safety	–	–	–	358	–	–	–
Fire and Emergency Management Unit	–	–	–	358	–	–	–
Vote 7 - District Infrastructure Maintenance and Development	367,670	285,637	119,058	276,539	290,133	312,670	326,498
Roads	–	–	–	2,316	2,381	2,534	2,675
Technical Services - Water and Sanitation	–	–	–	–	4,000	4,500	–
Project Management Unit	367,670	285,637	119,058	274,223	283,752	305,636	323,823
Capital single-year expenditure sub-total	376,614	286,665	128,813	277,495	291,133	313,732	327,623
Total Capital Expenditure	376,614	286,665	128,813	277,495	291,133	313,732	327,623

Vote 4 – Corporate Services Support

The total amount allocated for Vote 4 for the 2016/17 year is R 1 million, increasing to R 1,062 million in 2017/18 and R1, 11 million in the outer years.

Vote 7 – District Infrastructure Maintenance and Development

The total amount allocated for Vote 7 for the 2016/17 year is R290, 133 million, increasing to R312, 670 million in 2017/18 and R326, 498 million in the outer years.

6.1 Allocations Made By District Municipality to Local Municipalities

The Division of Revenue Bill (DoRA) provides that the revenue raised nationally in respect of 2016/17 financial year must be divided among the national, provincial and local spheres of government. Moreover, section 29 of the DoRA states that category C municipality must, within 10 days after the act takes effect, submit to the National Treasury and all category B municipalities within the municipality's area of jurisdiction, the budget, as tabled in accordance with section 16 of the MFMA, for the 2016/17 financial year. Therefore, Ngaka Modiri Molema District Municipality as category C must indicate all allocations from their equitable share and conditional allocations to be transferred to each local municipality within the area of jurisdiction.

The following table shows a breakdown of transfers and grants made by the district to local municipalities.

Table 9: Transfers and Grants made by the district municipality to locals

Description	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<u>Cash Transfers to other municipalities</u>				
<i>Mafikeng Local Municipality</i>	1,000	2,500	2,655	2,812
<i>Ditsobotla Local Municipality</i>	1,000	2,500	2,655	2,812
<i>Ramotshere Moiloa Local Municipality</i>	1,000	2,500	2,655	2,812
<i>Ratlou Local Municipality</i>	1,000	2,500	2,655	2,812
<i>Tswaing Local Municipality</i>	1,000	2,500	2,655	2,812
Total Cash Transfers To Municipalities:	5,000	12,500	13,275	14,058

7. OVERVIEW OF THE ANNUAL BUDGET PROCESS

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act. The Budget Steering Committee consists of the Municipal Manager and Senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the district's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2015) a time schedule that sets out the

process to revise the IDP and prepare the budget. On 25 August 2015 the Mayor of Ngaka Modiri Molema District Municipality tabled in council the required IDP and budget time schedule as follows:

Table 10: Time schedule of Key deadlines for 2016/17 MTREF

TIME SCHEDULE OF KEY DEADLINES		
Mayor to Table in Council 10 Months Prior to Start of Budget Year		
Month	NGAKA MODIRI MOLEMA DISTRICT MUNICIPALITY	Budget Year : 2016/17
	Mayor and Council	Administration - Municipality
Jul 2015	<p>Mayor begins planning for next three-year budget in accordance with co-ordination role of budget process</p> <p>MFMA s 53</p> <p>Planning includes review of the previous years budget process and completion of the Budget Evaluation Checklist</p>	<p>Accounting officers and senior officials of municipality begin planning for next three-year budget</p> <p>MFMA s 68, 77</p> <p>Accounting officers and senior officials of municipality review options and contracts for service delivery</p> <p>MSA s 76-81</p>
Aug 2015	<p>Mayor tables in Council a time schedule outlining key deadlines for: preparing, tabling and approving the budget; reviewing the IDP</p> <p>(as per s 34 of MSA) and budget related policies and consultation processes at least 10 months before the start of the budget year.</p> <p>MFMA s 21,22, 23;</p> <p>MSA s 34, Ch 4 as amended</p> <p>Mayor establishes committees and consultation forums for the budget process</p>	
Sept 2015	<p>Council through the IDP review process determines strategic objectives for service delivery & development for next three-year budgets including review of provincial and national government sector and strategic plans</p>	<p>Budget office of municipality determine revenue projections and proposed rate and service charges and drafts initial allocations to functions and departments for the next financial year after taking into account strategic objectives</p> <p>Engages with Provincial and National sector departments on sector specific programmes for alignment with municipalities plans (schools, libraries, clinics, water, electricity, roads, etc)</p>

Oct 2015		Accounting officer does initial review of national policies and budget plans and potential price increases of bulk resources with function and department officials MFMA s 35, 36, 42; MTBPS
Nov 2015	Council finalises tariff (rates and service charges) policies for next financial year MSA s 74, 75	Accounting officer reviews and drafts initial changes to IDP MSA s 34
Dec 2015		Accounting officer and senior officials consolidate and prepare proposed budget and plans for next financial year taking into account previous year's performance as per audited financial statements
Jan 2016		Accounting officer reviews proposed national and provincial allocations to municipality for incorporation into the draft budget for tabling. (Proposed national and provincial allocations for three years must be available by 20 January) MFMA s 36
Feb 2016		Accounting officer finalises and submits to Mayor proposed budgets and plans for next three-year budgets taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report Accounting officer to notify relevant municipalities of projected allocations for next three budget years 120 days prior to start of budget year MFMA s 37(2)
Mar 2016	Mayor tables municipality budget, resolutions, plans, and proposed revisions to IDP at least 90 days before start of budget year MFMA s 16, 22, 23, 87; MSA s 34	Accounting officer publishes tabled budget, plans, and proposed revisions to IDP, invites local community comment and submits to NT, PT and others as prescribed MFMA s 22 & 37; MSA Ch 4 as amended Accounting officer reviews any changes in prices for bulk resources as communicated by 15 March MFMA s 42

Apr 2016	<p>Consultation with national and provincial treasuries and finalise sector plans for water, sanitation, electricity etc</p> <p>MFMA s 21</p> <p>Public hearings on the budget, and council debate. Council consider views of the local community, NT, PT, other provincial and national organs of state and municipalities. Mayor to be provided with an opportunity to respond to submissions during consultation and table amendments for council consideration. Council to consider approval of budget and plans at least 30 days before start of budget year.</p> <p>MFMA s 23, 24; MSA Ch 4 as amended</p>	<p>Accounting officer assists the Mayor in revising budget documentation in accordance with consultative processes and taking into account the results from the third quarterly review of the current year</p>
May 2016	<p>Council must approve annual budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year</p> <p>MFMA s 16, 24, 26, 53</p>	<p>Accounting officer assists the Mayor in preparing the final budget documentation for consideration for approval at least 30 days before the start of the budget year taking into account consultative processes and any other new information of a material nature</p>
Jun 2016	<p>Mayor must approve SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with s 57(2) of the MSA. Mayor to ensure that the annual performance agreements are linked to the measurable performance objectives approved with the budget and SDBIP. The mayor submits the approved SDBIP and performance agreements to council, MEC for local government and makes public within 14 days after approval.</p> <p>MFMA s 53; MSA s 38-45, 57(2)</p> <p>Council must finalise a system of delegations.</p> <p>MFMA s 59, 79, 82; MSA s 59-65</p>	<p>Accounting officer submits to the mayor no later than 14 days after approval of the budget a draft of the SDBIP and annual performance agreements required by s 57(1)(b) of the MSA.</p> <p>MFMA s 69; MSA s 57</p> <p>Accounting officer of municipality publishes adopted budget and plans</p> <p>MFMA s 75, 87</p>

Abbreviations: **IDP** - Integrated Development Plan; **MFMA** - Local Government: Municipal Finance Management Act, No. 56 of 2003; **MSA** - Local Government: Municipal Systems Act, No. 32 of 2000, as amended; **MTBPS** - National Treasury annual publication, Medium Term Budget and Policy Statement; **NT** - National Treasury; **PT** - Provincial Treasuries; **SDBIP** - Service Delivery and Budget Implementation Plan

There were deviations from the key dates set out in the Budget Time Schedule tabled in council due to challenges that were facing the municipality during the intervention period , limited financial resources and none attendance of Provincial Sector Department to IDP Representative Forum Meetings.

8. IDP AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

This is the first five year Integrated Development Plan for the new incoming political administration to be inaugurated just after the forthcoming local government elections in 03 August 2016. The district Integrated Development Plan is a principal strategic planning instrument which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The process plan applicable to the fifth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2016/17 MTREF, based on the approved 2016/17 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections. With regard to the compilation of the 2016/17 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after the mid-year and fourth quarter performance against the 2015/16 Service Delivery and Budget Implementation Plan.

9. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process. The plan aligns the resources and the capacity of a municipality to its overall development aims and

guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area.

The IDP enables municipalities to make the best use of scarce resources and speed up service delivery. Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipalities response to these requirements. The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning.

Table 11: Reconciliation of IDP Strategic Objectives and budget-Operating expenditure

Strategic Objective	Goal	2012/13	2013/14	2014/15	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	Policy implementation and providing direction leading to effective service delivery	75,565	62,535	16,850	49,568	60,655	63,777	67,812
FINANCIAL VIABILITY	Sound Financial Management	381,764	513,196	532,039	99,305	260,351	275,937	292,486
GOOD GOVERNANCE AND COMMUNITY PARTICIPATION	Effective running of the institution that promotes high level of ethics and accountability	67,446	81,717	68,701	65,391	78,744	82,654	86,614
LOCAL ECONOMIC DEVELOPMENT	Contribute to the development of the district growth and improved economic conditions	12,574	7,737	1,808	23,892	25,608	24,631	25,355
BASIC SERVICES AND INFRASTRUCTURE INVESTMENT	Access to clean drinking water and basic sanitation services	118,791	145,482	354,372	265,100	279,747	295,956	314,773
Total Expenditure		656,141	810,667	973,769	503,256	705,105	742,954	787,039

Table 12: Table: Reconciliation of IDP Strategic Objectives and budget -Capital expenditure

Strategic Objective	Goal	2012/13	2013/14	2014/15	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT	Policy implementation and providing direction leading to effective service delivery	8,785	709	9,756	175	1,000	1,062	1,125
GOOD GOVERNANCE AND COMMUNITY PARTICIPATION	Effective running of the institution that promotes high level of ethics and accountability	160	319	–	423	–	–	–
BASIC SERVICES AND INFRASTRUCTURE INVESTMENT	Access to clean drinking water and basic sanitation services	367,670	285,637	119,058	276,897	290,133	312,670	326,498
Total Capital Expenditure		376,614	286,665	128,813	277,495	291,133	313,732	327,623

10.OVERVIEW OF BUDGET RELATED-POLICIES

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies. Given the work backlogs and problems that the municipality experienced during the year, there was not enough time to have a thorough review of the policies. However, there were no changes in legislation or national policies or prescripts that necessitated the changes of existing policies to be in line with the changes. Later there was not enough time to do a thorough review of the policies. During the course of the next financial year, attention will be given to identifying any gaps on the policies and where necessary, to effect improvements accordingly.

As a principle any review of tariffs that affects consumers will need to be accompanied by an improvement in the delivery of services. Any review of the current tariffs will need a thorough determination of the rationale on which they are based. It will need to be determined whether tariffs are based on loss recovery, or are market related or are nominal. This matter will be given attention in the new financial year.

The following budget-related policies must be noted for 2016/17 MTERF budget.

- Municipal Budget Policy
- Asset Management Policy
- Supply Chain Management Policy
- Cash Management and Investment Policy
- Funding and Reserves Policy

- Policy Borrowing
- Tariff Policy

A note should be taken that, the Municipal Tariff policy was adjusted accordingly in line with consumer price index of 6.6 % as outlined in MFMA Circular 79.

11. OVERVIEW OF BUDGET FUNDING

The total revenue of Ngaka Modiri Molema District Municipality for the budget year 2016/2017 is R 854, 454 million. The budget is primarily funded from government grants and subsidies which forms major portion of sources of revenue.

The operating expenditure and other portion of capital expenditure are funded from own revenue and operating grants and subsidies such as Local Government Equitable Shares, Finance Management Grant and EPWP incentive grant.

The capital expenditure is funded from conditional grants as outlined in the Division of Revenue Act No. 1 of 2015 as amended.

The following sources of funding forms part of funding as a percentage of total funding:

Table 13: Sources of funding for 2016/17 MTREF

Budget Funding	R'000	As % of total funding
Grants and Subsidies Received Operating	554,376.00	65%
Grants and Subsidies Received Capital	296,578.00	35%
Own Revenue	3,500.00	0%
Total Funding	854,454.00	100%

12. OVERVIEW OF BUDGET ASSUMPTIONS

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act No. 1998 (Act 20 of 1998). The last proclamation in this regard was published on 21 December 2015. As results, the benefits of different members of the municipal councils are budgeted at 2.4 %.

The Salaries, allowances and related benefits of Personnel for 2016/2017 budget year are provided at 7.6% which is inflation rate plus 1% as per three-year salary and wage collective agreement for the period 01 July 2015 to 30 June 2018.

All revenue from grants and subsidies has been budgeted as per Division of Revenue Act allocation including estimates for the two outer years. The operating expenditure has been provided at increase as per the current inflation estimated targets, previous financial year performance and needs analysis. Capital expenditure has been budgeted based on community needs.

The current budget has been prepared in accordance with Municipal Budget and Reporting Regulation of 2009.

13. CAPITAL TRANSFERS AND GRANTS PROGRAMME

Capital grants and receipts equates to R 296,578 million or 34.7% of the total funding source for the 2016/17 financial year and increase to R 320,015 million and R334,743 million for two outer years.

Table 14: Summary of capital and grants programme for 2016/17 MTREF

Description	2012/13	2013/14	2014/15	Current Year 2015/16	2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Capital Transfers and Grants							
National Government:	233,085	284,114	154,037	296,611	296,578	320,015	334,743
Municipal Infrastructure Grant (MIG)	227,404	258,242	127,347	294,295	290,197	312,981	332,068
Rural Transport Services and Infrastructure	2,455	1,453	2,775	2,316	2,381	2,534	2,675
Regional Bulk Infrastructure	3,226	24,419	23,915	–	–	–	–
Water Service Infrastructure Grant	–	–	–	–	4,000	4,500	–
Provincial Government:	58,947	48,663	57,131	–	–	–	–
Other capital transfers/grants	58,947	48,663	57,131	–	–	–	–
Total Capital Transfers and Grants	292,032	332,777	211,168	296,611	296,578	320,015	334,743

14. CAPITAL BUDGET DETAILS

The allocations are made on condition that the projects are in line with the Integrated Development Plan of the local municipalities as aligned with the Ngaka Modiri Molema District Municipality's Integrated Development Plan and also to avoid duplication of implementation and Budgeting. The proposed projects are approved by the relevant local municipalities' council or

by the district municipality council if part of the original IDP. Any changes to the approved budgeted projects will only be effected through the municipality`s council resolution subject to the municipality`s delegation to the Mayor regarding approval of such changes and in consultation with the affected local municipality.

The capital projects allocations by Ngaka Modiri Molema District Municipality to local municipalities are implemented by the Ngaka Modiri Molema District municipality on behalf of local municipalities for monitoring purposes as no funds are directly transferred to the local municipalities` but only completed projects. The transfer to the local municipalities is only in the form of the completed capital projects handover to the local municipalities, unless otherwise, stated funds can be transferred as per the service level agreement.

Figure 2: Capital projects allocations to local municipalities for 2016/17 MTREF

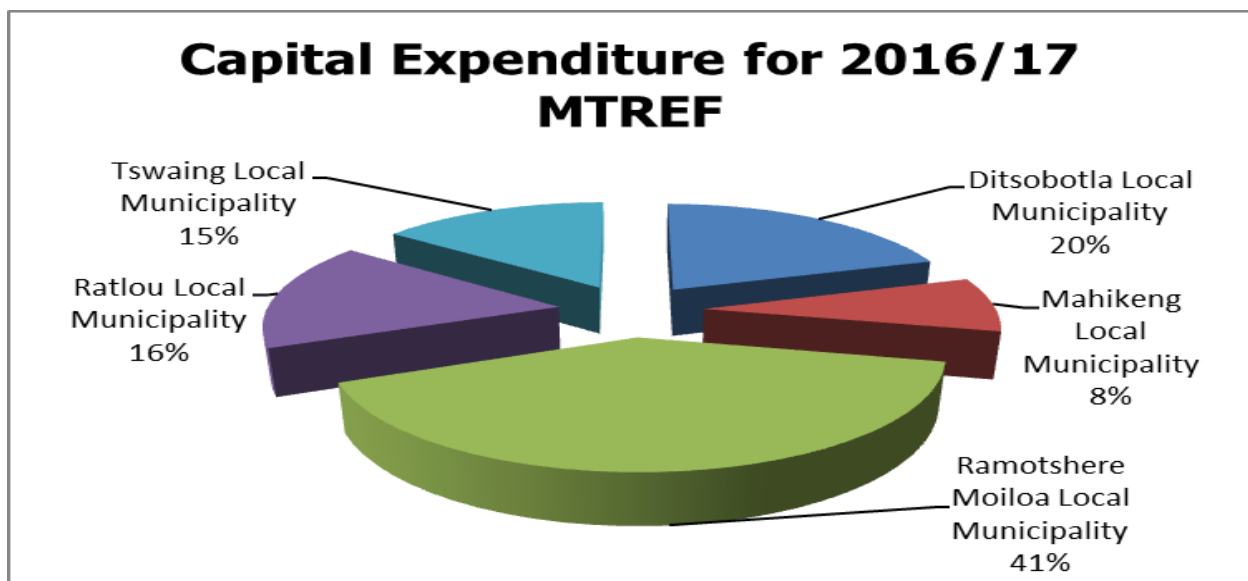


Table 15: Capital expenditure for Ditsobotla Local Municipality 2016/17 MTREF

CAPITAL PROJECTS	VTSD	WARD	STATUS	BUDGET 16/17 FY	BUDGET 17/18 FY	BUDGET 18/19 FY
DITSOBOTLA LOCAL MUNICIPALITY						
WATER						
BODIBE WARD 17 WATER RETICULATION	Village	11, 17, 18 & 19	Tender	R -	R 12,000,000	R 15,000,000
BOIKHUTSO BULK WATER SUPPLY	Township	1 & 2	Retention	R -	R -	R -
GAMOTLATLA WATER SUPPLY	Village	13	Tender	R -	R 12,000,000	R 8,400,000
GREATER LICHTENBURG BWS	Town	1, 2, 3, 4, 5 & 6	Tender	R -	R 25,300,000	R 10,000,000
ITSOENG BULK WATER SUPPLY PHASE 2 (BULK SUPPLY LINE)	Small Dorpie	7, 8, 9 & 12	Construction	R -	R -	R -
MATILE 1 WATER SUPPLY	Village	19	Design	R -	R 4,000,000	R 3,000,000
MATILE 2 WATER SUPPLY	Village	19	Design	R -	R 4,000,000	R 8,000,000
MEETMEKAAR AND SPRINGBOKPAN WATER SUPPLY	Village	19	Design	R -	R 20,485,846	R 7,514,154
RIETVLEI WATER SUPPLY	Village	14	Tender	R 6,000,000	R 300,000	R -
VERDWAAL 2 BULK WATER SUPPLY AND RETICULATION	Village	10	Construction	R -	R -	R -
TOTAL WATER				R 6,000,000	R 78,085,846	R 51,914,154
SANITATION						
BLYDEVILLE OUTFALL SEWER UPGRADE	Small Dorpie	4, 20	Retention	R 1,800,000	R -	R -
COLIGNY SEWER NETWORK UPGRADE	Town	15 & 16	Design	R -	R 3,000,000	R 8,000,000
DITSOBOTLA RURAL SANITATION PROGRAMME	Villages	Multiple Wards	Design	R -	R 9,000,000	R 7,000,000
ITSOENG WWTW UPGRADE	Small Dorpie	7, 8, 9 & 12	New project	R -	R 3,000,000	R 7,000,000
LICHTENBURG WWTW	Town	5, 6	New project	R -	R 3,000,000	R 8,000,000
TLHABOLOGANG BULK SANITATION (WWTW)	Township	15 & 16	Construction	R 8,000,000	R 2,700,000	R -
TLHABOLOGANG BULK SANITATION (M & E)	Township	15 & 16	Construction	R 8,365,185	R 1,350,000	R -
TLHABOLOGANG BULK SANITATION (OUT FALL SEWER)	Township	15 & 16	Construction	R 33,000,000	R 1,700,000	R -
TOTAL SANITATION				R 51,165,185	R 23,750,000	R 30,000,000
TOTAL DITSOBOTLA LM PROJECTS				R 57,165,185	R 101,835,846	R 81,914,154

For Ditsobotla Local Municipality, table 15 above shows that, for 2016/17 an amount of R57, 165 million have been appropriated for water and sanitation development of infrastructure which represents 19.72% of the total capital budget. In the outer years, this amount totals R 101,835 million or 35.14% and R 81, 914 million or 28.26% respectively. Bulk sanitation and outfall sewer receives the highest allocation of R51,165 million in 2016/17 which equates to 17.65% followed by water supply infrastructure at 1.83% or R6 million .

Figure 3: Capital expenditure per category for 2016/17 MTREF

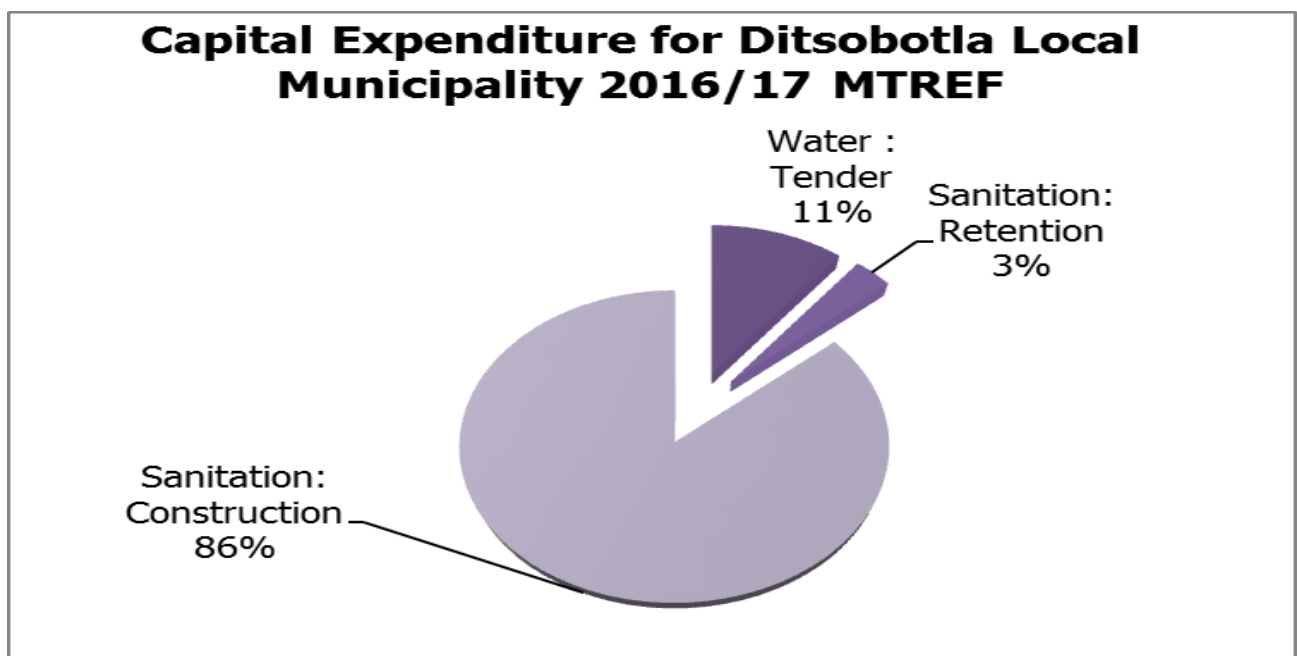


Table 16: Capital expenditure for Mahikeng Local Municipality 2016/17 MTREF

MAHIKENG LOCAL MUNICIPALITY							
WATER							
DIBONO AND MANAWANA WATER SUPPLY	Village	2	Design	R -	R 4,000,000	R 6,000,000	
DITHAKONG TSA GA SEHUBA (DHITAKONG EAST & WEST, DITSHILONG AND DIHATSHWANE) WATER SUPPLY	Village	27	Design	R -	R 4,000,000	R 5,000,000	
LONELY PARK WATER SUPPLY	Village	29	Design		R -	R 3,000,000	
LOTLHAKANE WATER SUPPLY	Village	23	Design		R -	R 3,000,000	
MADIBE-A-TAU WATER SUPPLY	Village	26	Design	R -	R 3,000,000	R 6,000,000	
LETLHOGORING WATER SUPPLY	Village	26	Design	R -	R 3,000,000	R 5,000,000	
MORWATSHETLHA WATER SUPPLY	Village	26	Design	R -	R 3,000,000	R 5,000,000	
SEBOWANA WATER SUPPLY	Village	26	Design	R -	R 3,000,000	R 6,000,000	
SEIPONE WATER SUPPLY	Village	26	Design	R -	R 3,000,000	R 5,000,000	
MANJA WATER SUPPLY	Village	26	Design	R -	R 3,000,000	R 6,000,000	
DIHATSHWANE WATER SUPPLY	Village	27	Design	R -	R 4,000,000	R 8,000,000	
MAKGOKGOANE WATER SUPPLY	Village	33	Construction	R 7,000,000	R 850,000	R -	
MAGOGOE KOIKOI AND MAGOGOE CENTRAL (SEWEDING PHOLA PHATSIMA?) WATER SUPPLY	Village	19	Design	R 10,000,000	R 17,000,000	R 1,800,000	
MAJEMANTSHO WATER SUPPLY	Village	21	Design	R -	R 6,000,000	R 14,000,000	
MAKHUBUNG WATER SUPPLY	Village	1	Design	R -	R 3,000,000	R 7,000,000	
MOGOSANE WATER SUPPLY	Village	6	Retention	R 600,000	R -	R -	
MOLETSAMONGWE WATER SUPPLY	Village	6	Retention	R 500,000	R -	R -	
MOTLHABENG(MAFIKENG) WATER SUPPLY			-		R -	R -	
SCHOONGEZIGHT WATER SUPPLY	Village	27	-	R -	R -	R 8,000,000	
SETLOPO WATER SUPPLY	Village	22	-	R -	R -	R 3,000,000	
TOP VILLAGE BWS & RETICULATION	Village	7	Retention	R 650,000	R -	R -	
TOTAL WATER				R 18,750,000	R 56,850,000	R 91,800,000	
SANITATION							
MAHIKENG RURAL SANITATION PROGRAMME	Village	Multiple Wards	-	R -	R 9,000,000	R 9,000,000	
UPGRADING MAHIKENG & MMABATHO WWTP-PH 1 CIVIL	Town	12 & 9	Construction	R 1,399,152	R 850,000	R -	
MAHIKENG MMABATHO WWTP PH2		9 & 12	Design	R 3,000,000	R 6,000,000	R 10,000,000	
TOTAL SANITATION				R 4,399,152	R 15,850,000	R 19,000,000	
TOTAL MAHIKENG LOCAL MUNICIPALITY PROJECTS				R 23,149,152	R 72,700,000	R 110,800,000	

For Mahikeng Local Municipality, table 16 above illustrate that for 2016/17 an amount of R23, 149 million has been appropriated for water and sanitation infrastructure development which represents 7.98% of the total capital budget. In the outer years this amount totals R72, 700 million or 25.08% and R110, 800 million or 38.23 % respectively. Water supply receives the highest allocation of R 18,750 million in 2016/17 which equates to 6.46% followed by rural sanitation programme and water waste treatment works infrastructure at 1.51% or R 4,399 million.

Figure 4: Capital expenditure per category for 2016/17 MTREF

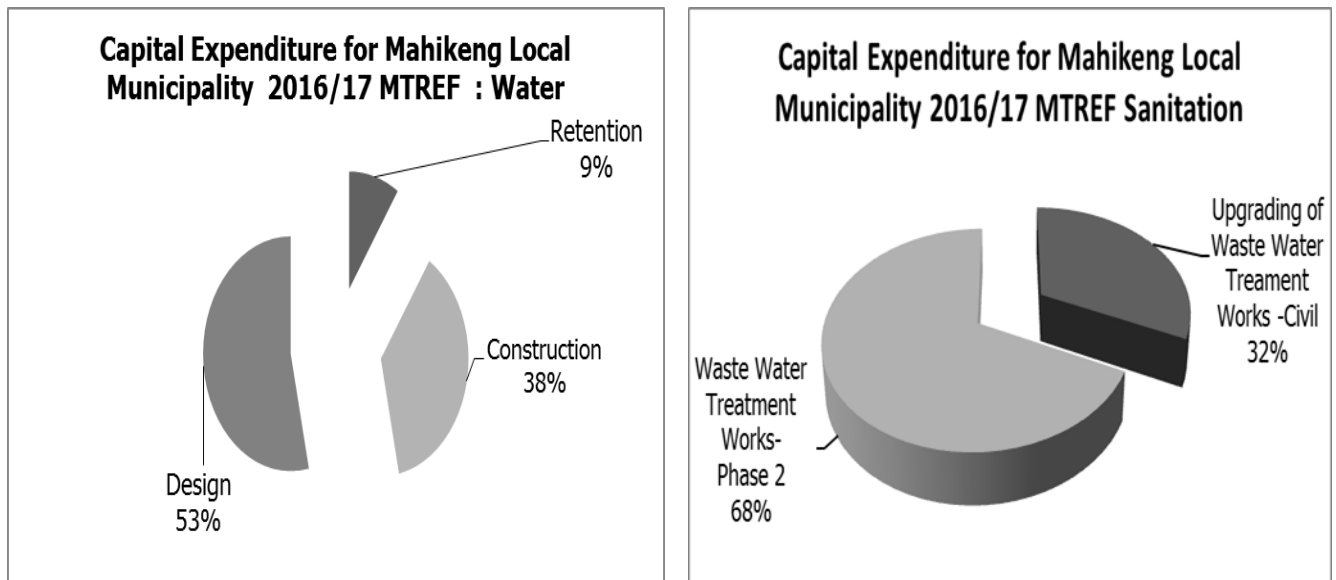


Table 17: Capital expenditure for Ramotshere Moiloa Local Municipality 2016/17 MTREF

RAMOTSHERE-MOILOA LOCAL MUNICIPALITY							
WATER							
BORAKALALO WATER SUPPLY	Village	4	-	R	-	R	3,000,000
GOPANE WATER SUPPLY	Village	6	-	R	-	R	3,000,000
LEEUFONTEIN WATER SUPPLY	Village		-	R	-	R	3,000,000
LOBATLA WATER SUPPLY	Village	3	-	R	-	R	3,000,000
MMUTSHWEU WATER SUPPLY	Village	8	-	R	-	R	2,000,000
MOSHANA WATER SUPPLY	Village	2	Construction	R	19,137,417	R	850,000
MOTLHABA WATER SUPPLY	Village		-	R	-	R	2,000,000
MOTSWEDI WATER SUPPLY	Village	5	-	R	-	R	3,000,000
OLIENHOUTPARK WATER AND SEWER RETICULATION PHASE 1	Township	15	Design	R	6,000,000	R	850,000
OLIENHOUTPARK WATER AND SEWER RETICULATION PHASE 2	Township	15	Design	R	1,000,000	R	8,000,000
SUPINGSTAD BULK WATER SUPPLY	Village	1	-	R	-	R	4,000,000
WELBEDACHT WATER & SEWAGE RETICULATION	Small Dorpie	13	Design	R	8,000,000	R	2,850,000
TOTAL WATER				R	34,137,417	R	12,550,000
							R
SANITATION							
GROOT MARICO WWTP	Small Dorpie	17	Construction	R	34,000,000	R	10,000,000
GROOTMARICO OUTFALL SEWER & RETICULATION	Small Dorpie	17	Construction	R	5,000,000	R	5,000,000
RAMOTSHERE-MOILOA RURAL SANITATION	Villages	Multi wards	Construction	R	3,000,000	R	6,500,000
ZEERUST WWTP PHASE 2	Town	15	Construction	R	38,769,294	R	32,000,000
TOTAL SANITATION				R	80,769,294	R	53,500,000
TOTAL RAMOTSHERE-MOILOA				R	114,906,711	R	66,050,000
							R
							52,500,000

For Ramotshere Moiloa Local Municipality, table 17 above illustrate that for 2016/17 an amount of R114, 906 million has been appropriated for water and sanitation infrastructure development which represents 39.64% of the total capital budget. In the outer years this amount totals R 66,050 million or 21, 12% and R 52,500 million or 16.02% respectively for each of the financial years. Sanitation receives the highest allocation of R 80,769 million in 2016/17 which equates to 27.86% followed by water supply and sewer reticulation infrastructure at 11.77% or R 34,137 million.

Figure 5: Capital expenditure per category for 2016/17 MTREF

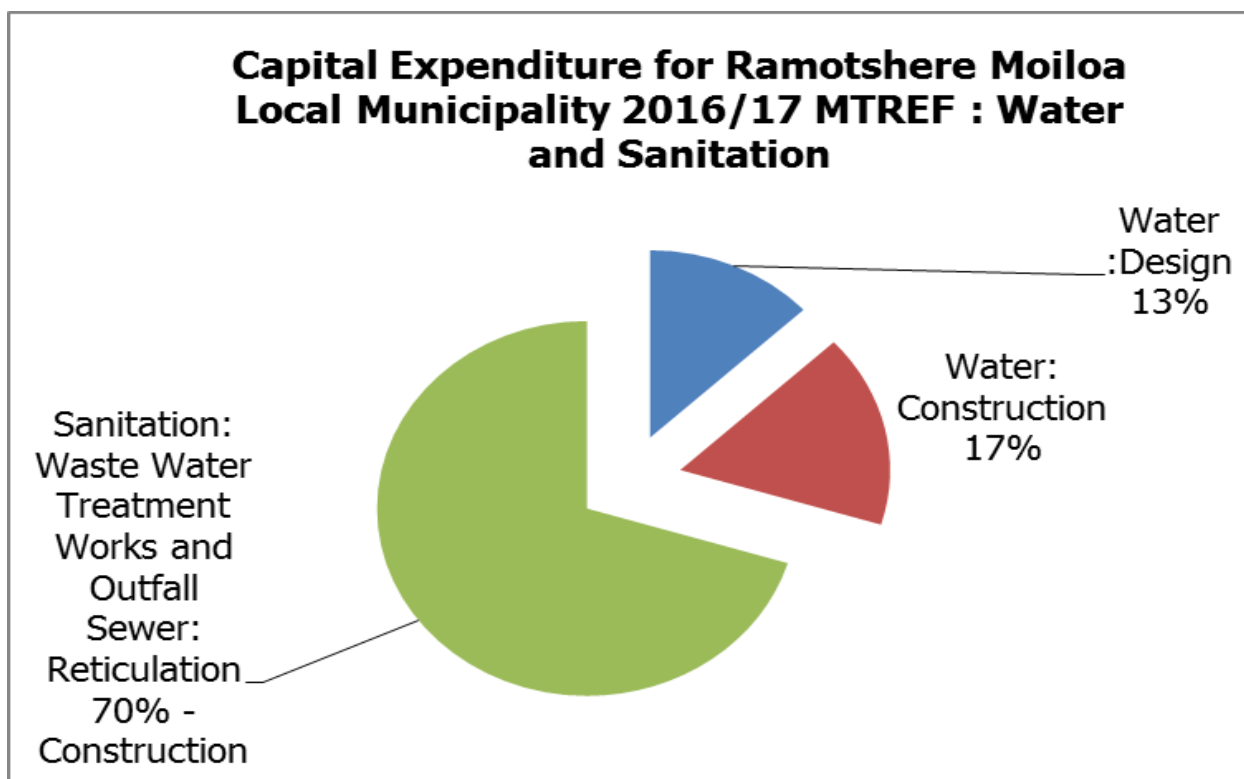


Table 18: Capital expenditure for Ratlou Local Municipality 2016/17 MTREF

RATLOU LOCAL MUNICIPALITY						
DINGATENG-MABULE WATER SUPPLY EXTENSION	Village	1	-	R -	R -	R 9,000,000
DISANENG BULK WATER SUPPLY	Village	3	-	R -	R -	R 6,000,000
DITLOUNG WATER SUPPLY	Village	2	Construction	R 4,822,592	R 350,000	R -
KRAAIPAN WATER SUPPLY EXTENSION	Village	8	-	R -	R -	R 5,000,000
LOPORUNG WATER SUPPLY EXTENSION	Village	2	-	R -	R -	R 7,000,000
MADIBOGO WATER SUPPLY PHASE 1	Village	6	-	R -	R -	R 18,908,692
MAIPENG WATER SUPPLY	Village	10	-	R -	R -	R 2,000,000
MAYA EYANE WATER SUPPLY	Village	1	Construction	R 5,741,873	R 300,000	R 300,000
MAREETSANE WATER EXTENSION	Village		-	R -	R -	R 3,000,000
MASAMANE WATER SUPPLY	Village	1	-	R -	R -	R 3,000,000
MATHA TENG WATER SUPPLY EXTENSION	Village	1	-	R -	R -	R 2,000,000
MATLODING WATER SUPPLY EXTENSION	Village	4	-	R -	R -	R 3,000,000
PHITSANE-MAKGOBISTAD	Village		-	R -	R -	R 3,000,000
SASANE WATER SUPPLY	Village	2	Construction	R 4,256,687	R 350,000.0	R -
SELOSESHA WATER SUPPLY	Village	2	Construction	R 4,846,352	R 350,000.0	R -
SETLAGOLE BULK WATER SUPPLY	Village	5 & 14	Construction	R 15,000,000	R 5,000,000.0	R 1,000,000
TSHIDILAMOLOMO WATER SUPPLY UPGRADE	Village	1	Construction	R 11,500,000	R 550,000.0	R -
TOTAL WATER				R 46,167,504	R 6,900,000.0	R 63,208,692
SANITATION						
RATLOU RURAL SANITATION	Villages	Multiple Wards	-	R -	R -	R -
TOTAL SANITATION				R -	R -	R -
TOTAL RATLOU LOCAL MUNICIPALITY				R 46,167,504	R 6,900,000	R 63,208,692

For Ratlou Local Municipality, table 18 above illustrate that for 2016/17 an amount of R 46,167 million has been appropriated for water infrastructure development which represents 15.92% of the total capital budget. In the outer years this amount totals R 6, 9 million or 2.20% and R 63,208 million or 19.35% respectively for each of the financial

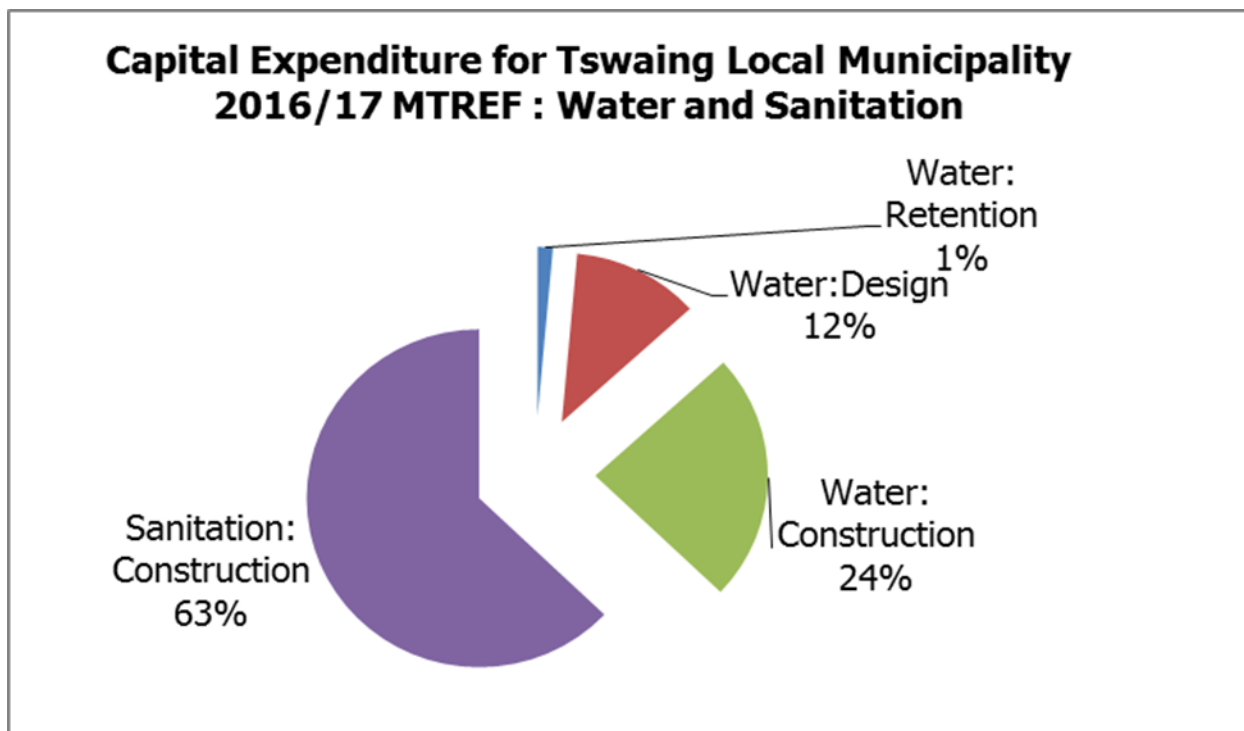
years. Water supply receives the highest allocation of R 46,167 million in 2016/17 which equates to 15.92% water supply construction.

Table 18: Capital expenditure for Tswaing Municipality for 2016/17 MTREF

Tswaing Local Municipality						
Water						
Delareyville Bulk Water Supply (Bulk Supply Line)	Town	9	Retention	R 600,000	R -	R -
Khunwana Water Supply	Village	2	-	R -	R -	R 4,000,000
Ottosdal Bulk Water Supply & Reticulation Phase 2	Town	13	Construction	R 10,000,000	R 8,000,000	R 800,000
Sannieshof/Agisanang Bulk Water Supply & Reticulation	Township	8	Design	R 5,000,000	R 13,300,000	R 1,100,000
TOTAL WATER				R 15,600,000	R 21,300,000	R 5,900,000
Sanitation						
Delareyville WWTW Upgrade-Ph 2	Town	9	Construction	R 6,463,293	R 350,000.0	R -
Sannieshof WWTW	Town	8	Construction	R 20,000,000.00	R 29,500,000.0	R 2,500,000
Tswaing Rural Sanitation	Villages	Multiple wards	Retention	R -	R 7,000,000.0	R 7,000,000
TOTAL SANITATION				R 26,463,293	R 36,850,000.0	R 9,500,000
TOTAL Tswaing Local Municipality				R 42,063,293	R 58,150,000.0	R 15,400,000
TOTAL CAPITAL PROJECTS				R 283,451,845	R 305,635,846	R 323,822,846
PMU Business Plan						
TOTAL MIG FUNDS				R 290,197,000	R 312,981,000	R 332,068,000
TOTAL WATER BUDGET				R 120,654,921	R 175,685,846	R 247,822,846
TOTAL SANITATION BUDGET				R 162,796,924	R 129,950,000	R 76,000,000

For Tswaing Local Municipality, table 19 above illustrate that for 2016/17 an amount of R42, 063 million has been appropriated for water and sanitation infrastructure development which represents 14.51% of the total capital budget. In the outer years this amount totals R58, 150 million or 18.59% and R 15,400 million or 4.71% respectively for each of the financial years. Sanitation receives the highest allocation of R 26,463 million in 2016/17 which equates to 9.13% followed by water supply and reticulation infrastructure at 5.38% or R15, 600 million.

Figure 6: Capital expenditure per category for 2016/17 MTREF



15.COST CONTAINMENT MEASURES

In MFMA Circular No. 70 municipalities were strongly advised to take note of the Cabinet resolution of 23 October 2013 by which all national and provincial departments, constitutional institutions and all public entities are required to implement cost containment measures with effect from January 2014. Subsequently, municipalities were strongly urged to take note of the cost containment measures as approved by Cabinet and align their budgeting policies to these guidelines to the maximum extent possible. Although it is acknowledged that municipalities are autonomous in their strategy formulation (IDP) and setting of budget appropriations, they

remain a sphere of government and must therefore align themselves to the maximum extent possible to that of national and provincial government.

Across all municipal departments, cost containment measures were implemented to eliminate waste, reprioritise spending and ensure savings on the following focus areas namely, consultancy fees, no credit cards, travel and related costs, advertising, catering and events as well as costs for accommodation. As a result, the implementation of austerity measures introduced in 2015/16 financial year has led to a reduction in municipal spending. However, the municipality recognises that there is not yet full compliance with these measures. Currently, the municipality is revising the threshold and clarifying its implementation with the current municipal policies and expenditure relating to the moratorium approved by council in 2015/16 financial year.

16.LEGISLATION COMPLIANCE STATUS

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

16.1 In year reporting

Reporting to Provincial and National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved.

16.2 Internship programme

The municipality is participating in the Municipal Financial Management Internship programme and has employed 3 interns undergoing training in Internal Audit Department. All three interns were due to complete their two year contracts on 31 July 2016 but an extension for one year has been granted by the municipality until 31 July 2017. Since the introduction of the Internship programme the district municipality has successfully employed 17 and trained 20 interns through this programme and a majority of them were appointed in Budget and Treasury Office.

16.3 Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA but the position of the Chief Financial Officer is still vacant and it is anticipated to be filled after the forthcoming local government election in 2016. Currently, the position of the Chief Financial Officer is been appointed on an acting basis by Department of Local government and Human Settlement since the intervention in 2014.

16.4 Audit Committee

An Audit Committee has been established.

16.5 Service Delivery Budget and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2016/17 MTREF in May 2016 directly aligned and informed by the 2016/17 MTREF.

16.6 Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

16.7 MFMA Training

The municipality, in partnership with National Treasury have enrolled 16 municipal officials of the municipality for minimum competency requirement as envisaged by Government gazette No 29967 which was published in July 2007. Note should be taken that, out of 16 municipal officials registered with University of Pretoria 9 of them are designated managers and the training is anticipated to conclude in October this year.

16.8 Policies

All policies were reviewed and no major changes were done. The Municipal Tariff policy was adjusted accordingly in line with consumer price index of 6.6 % as outlined in MFMA Circular 79.

17.RECOMMENDATIONS

It is recommended that council adopts:

- 16.1 Operating revenue framework to the amount of R 557,876 million.
- 16.2 Operating expenditure to the amount of R 705,105 million.
- 16.3 Capital expenditure to the amount of R 291, 133 million.
- 16.4 Total revenue of R 854,454 million.
- 16.5 New and existing capital projects on Table 15 to Table 19 of the budget document.
- 16.6 Grants and subsidies capital to the amount of R 296,578 million.
- 16.7 The 2016/17 -2018/19 Medium Term Revenue and Expenditure budget and accompanying annual budget schedules tables.
- 16.8 Notes budget-related policies accompanying the MTREF budget for 2016/17 -2018/19
- 16.9 Adopts the cost-cutting and reduction measures as outlined in MFMA Circular 82.
- 16.10 The accounting officer of the municipality must submit the approval of annual budget to the National and Provincial Treasury within ten working days after the approval.

MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, Acting Municipal Manager of Ngaka Modiri Molema District Municipality , hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: _____

Acting Municipal Manager of Ngaka Modiri Molema District Municipality (DC38)

Signature: _____

Date: _____